

**Order 2004-3-5**  
**Served: March 12, 2004**



**UNITED STATES OF AMERICA**  
**DEPARTMENT OF TRANSPORTATION**  
**OFFICE OF THE SECRETARY**  
**WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the **9th day of March, 2004**

Essential Air Service at

**CORTEZ, COLORADO**  
**LARAMIE, WYOMING**

**DOCKET OST-1998-3508**  
**DOCKET OST-1997-2958**

Under 49 U.S.C. 41731 *et seq.*

**ORDER SETTING FINAL RATES**

**Summary**

By this order, we are setting past-period and prospective subsidy rates for Great Lakes Aviation's provision of essential air service (EAS) at Cortez, Colorado, and Laramie, Wyoming. First, adjusting for the effects of the September 11 terrorist attacks, we are setting rates retroactive to October 1, 2001, through the end of the contract periods. Second, we are setting rates from the end of those respective contract periods until further Department action.

**Discussion**

The Department previously selected Great Lakes to provide EAS at Cortez by Order 2000-12-26, December 28, 2000, and at Laramie by Order 2000-5-14, May 16, 2000. Subsequently, in Order 2002-2-13, February 15, 2002, the Department authorized emergency EAS payments to all subsidized carriers because of the losses suffered by them in the face of generally lower revenue and higher costs after the terrorist attacks of September 11, 2001, and to reflect and compensate for the fact that the EAS carriers are paid on a pre-agreed, fixed rate per flight. That order provided for immediate increases to the final rates then in

place on an *ad hoc*, interim basis, along with the authority to re-negotiate new final rates to October 1, 2001, until the end of the carriers' selection term.<sup>1</sup>

For these rates, we have made adjustments consistent with the framework established by Order 2002-2-13, namely, that we would make up for revenue reductions, to the extent that they fell below those forecast in the final rates in effect on September 11, and for insurance and security increases directly attributable to the September 11 attacks. (Traffic-related expenses are adjusted downward proportional to the drop in passengers, and the profit element is a flat five percent of total operating costs.)

In the second step, we are setting rates based on rate negotiations that we have completed with Great Lakes at each community that will be effective from the end of the contract periods until further Department action while we process carrier-selection proceedings at each community. We have reviewed the carrier's proposals and find these rates reasonable for the service provided.

The table indicates the rates and dates of the compensation for each community:<sup>2</sup>

Community	Effective Period	Annual Rate	Effective Period	Annual Rate	Effective Date	Prospective Annual Rate
Cortez, CO	October 1, 2001, through September 30, 2002	\$1,099,989	October 1, 2002, through September 30, 2003	\$1,141,870	October 1, 2003	\$896,007
Laramie, WY	October 1, 2001, through April 30, 2002	\$623,139	May 1, 2002, through September 30, 2003	\$493,222	October 1, 2003	\$366,473

This order is issued under authority delegated in 49 CFR 1.56a(f).

## **ACCORDINGLY,**

1. The Department sets the final subsidy rate for Great Lakes Aviation, Ltd., for the provision of essential air service at Cortez, Colorado, as described in Appendix B, Page 1, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed during the month to Denver by \$597.17;<sup>3</sup>

2. The Department sets the final subsidy rate for Great Lakes Aviation, Ltd., for the provision of essential air service at Cortez, Colorado, as described in Appendix B, Page 2, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed during the month to Denver by \$619.91;

3. The Department sets the final subsidy rate for Great Lakes Aviation, Ltd., for the provision of essential air service at Cortez, Colorado, as described in Appendix B, Page 3, to be

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<sup>1</sup> See Order 2002-2-13 for a complete discussion of the emergency relief.

<sup>2</sup> Rates were adjusted downward effective October 1, 2003, to reflect significantly improved passenger traffic and revenue results.

<sup>3</sup> See Appendix B for subsidy calculations.

payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed during the month to Denver by \$486.43;

4. The Department sets the final subsidy rate for Great Lakes Aviation, Ltd., for the provision of essential air service at Laramie, Wyoming, as described in Appendix B, Page 4, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed during the month to Denver by \$338.29;

5. The Department sets the final subsidy rate for Great Lakes Aviation, Ltd., for the provision of essential air service at Laramie, Wyoming, as described in Appendix B, Page 5, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed during the month to Denver by \$267.76;

6. The Department sets the final subsidy rate for Great Lakes Aviation, Ltd., for the provision of essential air service at Laramie, Wyoming, as described in Appendix B, Page 6, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed during the month to Denver by \$198.95;

7. We direct Great Lakes Aviation, Ltd., to retain all books, records, and other source and summary documentation to support claims for payment and to preserve and maintain such documentation in a manner that readily permits the audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

8. Dockets OST-1998-3508 and OST-1997-2958 will remain open until further order of the Department; and

9. The Department will serve a copy of this order on Great Lakes Aviation, Ltd. and all parties in Dockets OST-1998-3508 and OST-1997-2958.

By:

**KARAN K. BHATIA**  
Assistant Secretary for Aviation  
and International Affairs

(SEAL)

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<http://dms.dot.gov>

## GREAT LAKES AVIATION, LTD., – ANNUAL SUBSIDY CALCULATIONS

	<u>Cortez</u> 10/01/2001	<u>Cortez</u> 10/01/2002	<u>Cortez</u> 10/01/2003	<u>Laramie</u> 10/1/2001	<u>Laramie</u> 5/01/2002	<u>Laramie</u> 10/01/2003
For rate beginning:						
Weekly round trips	18	18	18	18	18	18
Departures	1,842	1,842	1,842	1,842	1,842	1,842
Completion factor	98%	98%	98%	98%	98%	98%
Block hours	2,316	2,349	2,349	1,365	1,351	1,351
Miles to hub	278	278	278	114	114	114
Total passengers	12,250	13,189	16,000	12,926	15,553	17,000
Average fare	\$100.17	\$97.48	\$97.32	\$82.50	\$81.25	\$81.47
Passenger revenue	\$1,227,075	\$1,285,603	\$1,557,120	\$1,066,395	\$1,263,681	\$1,384,990
Other revenue @ 0.62%	<u>7,608</u>	<u>7,971</u>	<u>9,654</u>	<u>6,612</u>	<u>7,835</u>	<u>8,587</u>
Total revenue	\$1,234,683	\$1,293,574	\$1,566,774	\$1,073,007	\$1,271,516	\$1,393,577
Revenue passenger miles	3,405,500	3,666,542	4,448,000	1,473,007	1,773,042	1,938,000
Available seat miles	9,729,444	9,729,444	9,729,444	3,989,772	3,989,772	3,989,772
Aircraft lease w/ hull insurance	\$341,269	\$337,833	\$333,417	\$225,138	\$209,255	\$191,761
Flying operations	228,293	350,118	350,118	138,794	201,367	201,367
Maintenance	332,172	429,768	429,768	252,509	332,682	332,682
Fuel & oil	<u>411,628</u>	<u>411,628</u>	<u>411,628</u>	<u>224,930</u>	<u>245,443</u>	<u>245,443</u>
Total direct costs	\$1,313,362	\$1,529,347	\$1,524,931	\$841,371	\$988,747	\$971,253
Local facility lease	\$12,000	\$27,226	\$27,226	\$10,800	\$31,162	\$31,162
Local landing fees	9,947	19,143	19,143	12,839	13,833	13,833
Deicing charges	14,375	14,375	14,375	14,375	14,375	14,375
Local marketing	5,000	5,000	5,000	5,000	5,000	5,000
Local station personnel	67,600	61,331	61,331	67,600	86,845	86,845
Crew overnight	82,340			62,650		
Denver cost per turn	243,144	272,911	272,911	243,144	272,911	272,911
Denver fees/passenger				49,054		
DEN airport baggage system fees	8,943					
DEN airport terminal transit system fee	8,881					
DEN United baggage system fee	28,665					
Liability insurance	48,835	52,578	54,217	21,131	25,425	23,622
Passenger-related expense	203,718	135,187	164,000	214,959	159,418	174,250
Security expense	38,529			15,799		
Administrative expense	<u>138,158</u>	<u>202,372</u>	<u>202,372</u>	<u>56,655</u>	<u>82,987</u>	<u>82,987</u>
Total indirect costs	\$910,135	\$790,123	\$820,575	\$774,006	\$691,956	\$704,985
Total operating expense	<u>\$2,223,497</u>	<u>\$2,319,470</u>	<u>\$2,345,506</u>	<u>\$1,615,377</u>	<u>\$1,680,703</u>	<u>\$1,676,238</u>
Operating loss	\$988,814	\$1,025,896	\$778,732	\$542,370	\$409,187	\$282,661
Profit @ 0.05% of total operating expense	<u>111,175</u>	<u>115,974</u>	<u>117,275</u>	<u>80,769</u>	<u>84,035</u>	<u>83,812</u>
Compensation requirement	<u>\$1,099,989</u>	<u>\$1,141,870</u>	<u>\$896,007</u>	<u>\$623,139</u>	<u>\$493,222</u>	<u>\$366,473</u>
Subsidy rate per flight	<u>\$597.17</u>	<u>\$619.91</u>	<u>\$486.43</u>	<u>\$338.29</u>	<u>\$267.76</u>	<u>\$198.95</u>
Weekly compensation amount	<u>\$21,498.12</u>	<u>\$22,316.76</u>	<u>\$17,511.48</u>	<u>\$12,178.44</u>	<u>\$9,639.36</u>	<u>\$7,162.20</u>

**Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at  
Cortez, Colorado, Docket OST-1998-3508**

<u>Effective Period:</u>	October 1, 2001, through September 30, 2002.
<u>Scheduled Service:</u>	18 nonstop round trips each week to Denver.
<u>Intermediate stops and upline service:</u>	No service to any intermediate point is contemplated under the terms of this proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
<u>Aircraft type:</u>	Beech 1900D (19 passenger seats).
<u>Timing of flights:</u>	Flights must be well-timed and well-spaced in order to ensure full compensation.
<u>Annual compensation:</u>	\$1,099,989. This rate assumes an annual completion factor of 93.37 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.
<u>Subsidy Rate per Denver Flight:</u>	\$597.14 <sup>1</sup>
<u>Weekly Compensation Ceiling:</u>	\$21,498.12 <sup>2</sup>

**Note:**

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

<sup>1</sup> \$1,099,989 divided by 1,842 annual departures as shown in Appendix A.

<sup>2</sup> 36 flights per week \* \$597.14.

**Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at  
Cortez, Colorado, Docket OST-1998-3508**

<u>Effective Period:</u>	October 1, 2002, through September 30, 2003
<u>Scheduled Service:</u>	18 nonstop round trips each week to Denver.
<u>Intermediate stops and upline service:</u>	No service to any intermediate point is contemplated under the terms of this proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
<u>Aircraft type:</u>	Beech 1900D (19 passenger seats).
<u>Timing of flights:</u>	Flights must be well-timed and well-spaced in order to ensure full compensation.
<u>Annual compensation:</u>	\$1,141,870. This rate assumes an annual completion factor of 93.37 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.
<u>Subsidy Rate per Denver Flight:</u>	\$619.91 <sup>3</sup>
<u>Weekly Compensation Ceiling:</u>	\$22,316.76 <sup>4</sup>

**Note:**

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

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<sup>3</sup> \$1,141,870 divided by 1,842 annual departures as shown in Appendix A.

<sup>4</sup> 36 flights per week \* \$619.91.

**Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at  
Cortez, Colorado, Docket OST-1998-3508**

<u>Effective Period:</u>	October 1, 2003, until further Department action.
<u>Scheduled Service:</u>	18 nonstop round trips each week to Denver.
<u>Intermediate stops and upline service:</u>	No service to any intermediate point is contemplated under the terms of this proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
<u>Aircraft type:</u>	Beech 1900D (19 passenger seats).
<u>Timing of flights:</u>	Flights must be well-timed and well-spaced in order to ensure full compensation.
<u>Annual compensation:</u>	\$896,007. This rate assumes an annual completion factor of 93.37 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.
<u>Subsidy Rate per Denver Flight:</u>	\$486.43 <sup>5</sup>
<u>Weekly Compensation Ceiling:</u>	\$17,511.48 <sup>6</sup>

**Note:**

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

<sup>5</sup> \$896,007 divided by 1,842 annual departures as shown in Appendix A.

<sup>6</sup> 36 flights per week \* \$486.43.



**Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at  
Laramie, Wyoming, Docket OST-1997-2958**

<u>Effective Period:</u>	October 1, 2001, through April 30, 2002
<u>Scheduled Service:</u>	18 nonstop round trips each week to Denver.
<u>Intermediate stops and upline service:</u>	No service to any intermediate point is contemplated under the terms of this proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
<u>Aircraft type:</u>	Beech 1900D (19 passenger seats).
<u>Timing of flights:</u>	Flights must be well-timed and well-spaced in order to ensure full compensation.
<u>Annual compensation:</u>	\$623,139. This rate assumes an annual completion factor of 94.82 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.
<u>Subsidy Rate per Denver Flight:</u>	\$338.29 <sup>7</sup>
<u>Weekly Compensation Ceiling:</u>	\$12,178.44 <sup>8</sup>

**Note:**

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

<sup>7</sup> \$623,139 divided by 1,842 annual departures as shown in Appendix A.

<sup>8</sup> 36 flights per week \* \$338.29.

**Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at  
Laramie, Wyoming, Docket OST-1997-2958**

<u>Effective Period:</u>	May 1, 2002, through September 30, 2003.
<u>Scheduled Service:</u>	18 nonstop round trips each week to Denver.
<u>Intermediate stops and upline service:</u>	No service to any intermediate point is contemplated under the terms of this proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
<u>Aircraft type:</u>	Beech 1900D (19 passenger seats).
<u>Timing of flights:</u>	Flights must be well-timed and well-spaced in order to ensure full compensation.
<u>Annual compensation:</u>	\$493,222. This rate assumes an annual completion factor of 92.72 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.
<u>Subsidy Rate per Denver Flight:</u>	\$267.76 <sup>9</sup>
<u>Weekly Compensation Ceiling:</u>	\$9,639.36 <sup>10</sup>

**Note:**

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

<sup>9</sup> \$493,222 divided by 1,842 annual departures as shown in Appendix A.

<sup>10</sup> 36 flights per week \* \$267.76.

**Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at  
Laramie, Wyoming, Docket OST-1997-2958**

<u>Effective Period:</u>	October 1, 2003, until further Department action.
<u>Scheduled Service:</u>	18 nonstop round trips each week to Denver.
<u>Intermediate stops and upline service:</u>	No service to any intermediate point is contemplated under the terms of this proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
<u>Aircraft type:</u>	Beech 1900D (19 passenger seats).
<u>Timing of flights:</u>	Flights must be well-timed and well-spaced in order to ensure full compensation.
<u>Annual compensation:</u>	\$366,473. This rate assumes an annual completion factor of 83.82 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.
<u>Subsidy Rate per Denver Flight:</u>	\$198.95 <sup>11</sup>
<u>Weekly Compensation Ceiling:</u>	\$7,162.20 <sup>12</sup>

**Note:**

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

<sup>11</sup> \$366,473 divided by 1,842 annual departures as shown in Appendix A.

<sup>12</sup> 36 flights per week \* \$198.95.